



Why are business transformation initiatives being launched in the dark?

In a frenzy to achieve results, companies are skipping square one and coming up short

Executive summary



In 2015 Cisco Systems' executive chairman John Chambers said "At least 40% of all businesses will die in the next 10 years ... if they don't figure out how to change their entire company to accommodate new technologies." Several years later, Chambers' prediction is more relevant today than ever.

This imperative to adapt is driving many organizations to charge head first into overhauling their operations. Businesses understand that only through radical transformation will they have the agility, flexibility and scalability to meet customer expectations and drive productivity.

However, recognizing a need and understanding how to execute on that need are two different matters. Understanding where to start, allocating budgets and identifying the resources to deliver means that businesses must balance a complex set of elements, all the while under pressure to deliver this transformation.

Too many transformation initiatives fail to make an impact because enterprises don't truly understand how they are actually operating right now. They're skipping square one and running straight into heavy investment, onboarding new hires and upgrading technology, while failing to deliver the desired impact. They're setting goals without knowing what questions to ask of the business first.

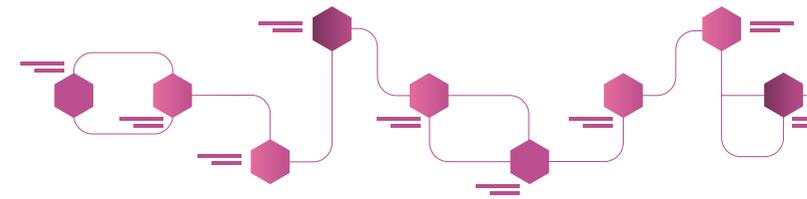
So why is this happening, and how can businesses either avoid starting off on the wrong foot or even recover those projects that have lost their way? Is it about leadership (or a lack thereof), or limited buy-in from the wider business? Or, is it something more tangible?

To answer this, Celonis commissioned a study that looked at how both leaders and business analysts view business transformation. Speaking to people based in the UK, US, Germany and the Netherlands, it became clear that there are a host of reasons why businesses are struggling to successfully transform at this stage, and yet, those very challenges could hold the keys to opportunity.

A solution may lie in the wealth of data that enterprises are sat on. By putting a spotlight on internal processes, and analyzing what's going on in real-time, businesses can mobilize their employees to change the way they work, in turn driving improved efficiency and productivity in areas such as order-to-cash, procure-to-pay, customer service, supply chain and IT delivery.

In other words, data has the power to transform business models from within.

The state of business transformation



45%

of C-Suite execs don't know where to start when developing their transformation strategy

500k

Spent by over 1/3 of businesses on business transformation strategies in the last 12 months

65%

of execs would feel more confident in their transformation strategy if they had better visibility into how their business is being run

The need for businesses to transform their operations to thrive in the digital era is not new. Established enterprises know that they need to evolve, with respondents to the Celonis survey identifying driving productivity (19%), improving products and services (18%) and meeting increasing customer expectations (18%) as the biggest drivers for business transformation.

That productivity push is seen by many as a way to empower, rather than restrict, employees. For senior leaders, this means fast access to technology, with IT delivery (38%) topping the list of processes they wanted to make more efficient.

So why is transformation so challenging? For legacy organizations with entrenched cultures, processes and systems, this is no easy task. Established businesses are complex structures, which increases the need for technically sophisticated approaches. However, when

there's limited budget, and a lack of employees with the skills to manage and action the project, these become major barriers to driving business transformation.

It is a perfect storm of external pressures and internal challenges that can back business leaders into a corner – they want to move their organizations forward but aren't sure where to begin. It is a challenge almost half (45%) of the C-suite executives surveyed struggle with.

This lack of clarity over where to focus transformation strategies can lead to false starts and, potentially, wasted investment. Getting it wrong is unaffordable to most companies, particularly when a third have spent upwards of \$500,000 on business transformation strategies in the last 12 months.

Those leaders who may have hoped to hide their challenges from their teams aren't fooling anyone. Nearly half of analysts don't have faith in their leadership team, with 45% admitting they don't think leaders know where to start.

One of the reasons for this confusion is that frontline staff are being told what to do, rather than consulted. Over half of C-suite respondents admitted leaving operational workforce changes to either management consultants or middle management.

This is a huge missed opportunity – 55% of analysts say they would feel more confident if they knew how the business was run, indicating that a collaborative, transparent approach to transformation is vital to getting employees on side.

This visibility is clearly sought after by both workers and leadership.

The danger is that with a lack of focus and visibility comes a perception that business transformation projects have not delivered. Those leaders wanting greater visibility are also more likely to believe their efforts have come to nothing, whereas those on the frontline are less pessimistic, with just 32% (versus 44% of the C-suite execs surveyed) believing it has been a waste of time. This indicates that awareness of impact is greater where changes have made an improvement to frontline working processes.

Back to square one

So, what's causing this lack of direction? Not knowing what state their operations are in, apparently.

Even more shockingly, over 80% admit they do not look at internal processes to consider what needs to be prioritized first when setting initial goals and KPIs.

In other words, they are skipping square one. They are not asking themselves what they are trying to fix, but simply ploughing ahead. This suggests that many businesses are undergoing disruptive transformation processes because they think they should, rather than knowing exactly why they must.

Clearly, the rush to transform is threatening to derail the potential for success.

62%

of C-Suite execs have set KPIs for their transformation initiative without understanding what's going wrong in their business first

Aspirations for the future

Despite acknowledgement that an understanding of the here and now would be beneficial to inform transformation strategy, businesses are still jumping straight into tactics. For example, almost three quarters of C-suite executives cite AI/machine learning (73%) and automation (73%) as areas they want to maintain or increase investment in. In contrast, less than a third (33%) of senior leaders state that they plan to invest more in getting better visibility of their processes.

But for those organizations that want to increase their investment in AI and innovation, understanding their current processes first could help them to work out which technologies would be most beneficial to their business. This significant gap suggests that business transformation could continue to be a struggle unless companies take radical action to address their key visibility issues.

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Having a clear strategy is absolutely vital when it comes to business transformation. However, the research shows that organizations are lacking clear visibility into what is actually happening within their own operations before they start to try and change it. It's quite simple – you can't know where you are until you know where you've been. For businesses committed to transforming, that means having a clear view of internal processes, being able to identify where the issues lie and then tailoring the changes to fix those problems. That's where they generate the right results and avoid wasting time and money.

Alex Rinke, Co-founder and Co-CEO, Celonis

We're constantly looking at ways to futureproof our business. In years gone by, we might have been able to do that over time, but the pace of change has increased dramatically. That's why it's absolutely critical that we are able to quickly see and understand which processes are working for us, and which aren't. We have to prove ROI on every investment, which is why it's vital that we are surgically precise in where we invest, without being slow. It's only through understanding and using our data effectively that we can transform our operations in the right way.

Customer spokesperson quote

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Identifying the way forward



It is clear from the research that a lack of visibility concerns both senior leaders and frontline analysts. Yet how do they solve this challenge, at a time of restricted budgets, when an established enterprise could have thousands of processes, many interdependent of one another?

Invest – but make sure it's in the right place

Technology is replete with silver-bullet solutions, and businesses need to be wary of the “new and shiny” just for the sake of it. They need to consider what the issues are – huge numbers of processes generating masses of data – and invest in the tools that are going to solve those problems and free up employees.

Visibility is king

You can't know where you are until you know where you've gone. That means having the ability to see the big picture, and then dive down into a more detailed view. It's the only way you can untangle years of organic process sprawl.

Know what the ideal is... and the reality

Our research showed a gap between what execs believed and what analysts were seeing. This is played out every day in functions all across the business – leaders see the official picture, while the frontline knows what really happens. As long as KPIs are met, quite often the truth remains hidden. For true change to be realized, C-suite execs need to talk to their employees, and involve them in the identifying, analyzing and designing of processes. If the transformation is siloed from the workforce, any processes that aren't user-friendly will simply be circumvented by unofficial workarounds.

Industry perspective

Untangling a telco

Global telecoms firm, Vodafone, needed to be able to offer solutions that could scale and adapt in line with its business customers' needs. As well as building offers and financing models that were fit for purpose, it also meant back-end processes such as purchase-to-pay, playing a key role in driving business success and customer satisfaction, needed to adapt. Simplifying them, making them faster and more flexible to meet customers' needs is essential for Vodafone's leadership in the market.

However, with hundreds of thousands of transactions generating an enormous amount of data, the business lacked the necessary insights into how processes were executed and performing in reality, especially compared to process models and documentations.

It's a common issue in the industry, as the research demonstrates – over half (56%) of C-suite execs and two-thirds (66%) of business analysts in telecoms companies would feel more confident in deploying transformation strategies if they had better visibility into how the business is being run.

To that end, Vodafone used Big Data analytics with SAP's in-memory platform to focus in on transactions, filter on any given KPIs and to find out quickly where and why “happy paths”, harmful deviations, and inefficiencies occur. Users can design processes to fit their needs and become much more productive. If a process turns inefficient, it enables them to spend less time on guessing and searching for the problem. Instead it triggers a fact-based discussion of solutions and the ability to take immediate counter measures for improving the situation.

Making manufacturing more manageable

As a leading supplier of high-tech coating systems used in architectural and automotive glass, solar-thermal power plants, and touchscreen displays, quality and efficiency in every process at this leading manufacturer is critical. When producing coatings that can be between one nanometer and a few micrometers thin, there's absolutely no room for error.

The entire production process – and ultimately customer satisfaction – at the company depends upon reliable and timely delivery of materials, and if something goes wrong at these critical points, the entire process is impaired. Any delay means that orders cannot be supplied on time and customers become dissatisfied. But a high annual procurement volume of over 30,000 order items, and managing hundreds of employees across multiple global locations, makes maintaining optimal performance throughout the supply chain a challenging task. This had been a tedious and manual process.

Using Big Data analytics, the manufacturer now has unbiased visibility into the delivery reliability and error rate of suppliers, and the knowledge needed to keep these key performance indicators in an optimal range. Its procurement team can quickly see and review key figures such as throughput times, process handling and process variants, the number of employees involved in the purchasing process, and the frequency of individual process steps.

This demonstrates the value of clear visibility of processes – something 64% of C-suite execs in the manufacturing industry felt would boost their confidence in business transformation.

Conclusion

The need to transform and respond to the challenges of the digital era isn't going away. However, this does not mean companies can charge headlong into a transformation initiative without first understanding what it is they are trying to achieve.

Enterprise organizations will have many years of processes intertwined and dependent on each other. It is only through having clear visibility of all potential issues that companies can identify which ones need fixing, and what to prioritize. With many spending six figures on their business transformation strategies, it is imperative they get it right.

Visibility, powered by technology, is how they will achieve that.

How Celonis can help

As we've stated, legacy organizations have thousands upon thousands of processes. They all live on data and would take a human workforce years to untangle. Fortunately, digitalization is driving business transformation, so it can be harnessed to identify, amend and optimize processes in real-time.

It's all done through a concept called Process Mining, which uses AI and machine learning to extract existing data from an organization's IT systems to visually reconstruct how processes actually perform. It creates full transparency and enables businesses to drive efficiency, quality and productivity across their entire organization. Working for any industry, company or process, it empowers enterprises to take the actions they need for optimization.

Process Mining works by capturing the digital footprints of every step performed in a process. It pulls them together (a resource known as an event log) and organizes them visually to show each step of the journey to complete the process. In that way, it identifies areas for process improvement – sometimes in places businesses might not even think to look. It then helps identify the right steps toward improvements that will transform how a business operates.

As the global market leader in the Process Mining technology it pioneered, Celonis has already helped companies like Vodafone and Siemens see, understand and improve how their businesses work.

Now it has built its Intelligent Business Cloud on top of that technology to provide not only a powerful means to uncover opportunities for improvement but to take the next step: see, understand and evolve business by operationalizing insights for true transformation.

To find out how Celonis could help your business, get in touch today.

About Celonis

Celonis is the New York- and Munich-based leader in business transformation software, turning process insights into action with the process mining technology it pioneered. Its Intelligent Business Cloud allows organizations to rapidly understand and improve the operational backbone of their business. Companies around the world including Siemens, GM, 3M, Airbus and Vodafone rely on Celonis technology to guide action and drive change to business processes, resulting in millions of dollars saved and an improved experience for their customers.

About this research

Celonis commissioned research to explore how businesses were managing their transformation strategies and what the obstacles were to success. A survey of 1,009 business analysts and 1,002 C-level executives in companies with over 500 employees in the UK, US, Germany and the Netherlands was conducted by Opinion Matters in January 2019.

